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June 29, 2007

Samuel W. Bodman
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

RE: RIN 1901-AB21 Comments on Proposed Loan Guarantee Program Rules

Dear Secretary Bodman:

To meet the country's growing demand for electricity while responding to increasing public interest in addressing climate change will require the commercialization and deployment of advanced energy sources such as renewable, clean coal and advanced nuclear generation technologies. Given the nature of new technology and the business drivers in place today, these cleaner technologies are not getting built.

The federal loan guarantee program was intended to support the deployment of new technologies that reduce, avoid or sequester greenhouse gas emissions by providing a guarantee for up to 80 percent of a project's costs. Congress has communicated that when passing this provision it anticipated at least 20 percent of a qualifying project's costs would be financed with developer's equity. Thus, a loan guarantee should cover all debt up to 80 percent of project costs.

This is a vital program to support construction of advanced energy technologies because loan guarantees spread the risk of building these new technologies among consumers, electric company shareholders and the federal government. Ultimately, loan guarantees reduce the cost of electricity to consumers from these new, clean technologies.

In the Department of Energy's May 16 Notice of Proposed Rulemaking, rules are suggested that only cover 90 percent of a project's debt. Furthermore, the proposed rules prevent unguaranteed debt from being stripped from guaranteed debt and marketed into two very separate debt markets. Together these provisions would make the loan guarantee program very difficult to use, and therefore will not encourage the amount of clean energy construction that this country will require.

The Texas Legislature recently passed two bills that will help stimulate the construction of nuclear power plants in our state, but these alone will not be enough to encourage construction. These provisions combined with the federal loan guarantee program Congress intended to create will provide the stimulus needed.

I urge the Administration to implement a workable loan guaranteed program that will, in fact, accomplish the deployment and commercialization of advanced technologies that society requires for a diverse energy supply system that meets the needs of our citizens in a reliable, affordable and environmentally responsible way. I urge the Administration to implement the loan guarantee program the way Congress intended it to work, allowing coverage of all debt up to 80 percent of a project's costs.

States like Texas are stepping up to do our part to encourage construction of advanced, clean energy technologies. It is time the federal government follow through and deliver its part -- a workable loan guarantee program.

Sincerely,

Mark Homer
Member, Texas House of Representatives

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